



PREPROPOSAL STATEMENT OF INQUIRY

(RCW 34.05.310)

CR-101 (7/22/01)

Do **NOT** use for expedited rule making

Agency: Department of Revenue	
Subject of possible rule making: WAC 458-20-196 Credit losses, bad debts, recoveries. WAC 458-20-198 Conditional and installment sales, method of reporting.	
(a) Statutes authorizing the agency to adopt rules on this subject: RCW 82.32.300 and 82.01.060(2)	
(b) Reasons why rules on this subject may be needed and what they might accomplish: WAC 458-20-196 (Rule 196) provides information about the tax treatment of bad debts and credit losses under the business and occupation (B&O), public utility, retail sales, and use taxes. Chapter 168, Laws of 2003 and Chapter 153, Laws of 2004 amended bad debt provisions for several Washington taxes. The Department is considering amending the rule in order to incorporate the changes. The Department is also considering adding examples in order to demonstrate the application of the new law. WAC 458-20-198 (Rule 198) explains the tax-reporting responsibilities of persons making installment sales of tangible personal property under the business and occupation (B&O), retail sales, and use taxes. The Department is considering amending this rule to explain that interest income earned on installment sales contracts is subject to service and other activities B&O tax and to refer the reader to Rule 196 for an explanation of how to claim a bad debt deduction/credit when a buyer defaults on an installment obligation.	
(c) Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies: None.	
(d) Process for developing new rule (check all that apply): Negotiated rule making Pilot rule making Agency study <input checked="" type="checkbox"/> Other: Modified negotiated rule making	
(e) How interested parties can participate in the decision to adopt the new rule and formulation of the proposed rules before publication: <u>Written comments</u> may be submitted by mail, e-mail, fax, or at the public meeting. Oral comments will be accepted at the public meeting. A preliminary discussion draft of a possible new or revised rule(s) is available upon request. Written comments on and/or requests for copies of the draft may be directed to: Nathan Schreiner, Tax Policy Specialist, Legislation and Policy, P. O. Box 47467, Olympia, WA 98504-7467; phone: (360) 570-6136; e-mail: NathanS@dor.wa.gov ; FAX (360) 664-0693. <u>Date and Location of Public Meeting:</u> Date: June 23, 2004 Capitol Plaza Building Time: 10:00 a.m. 4 th Floor Large Conference Room 1025 Union Avenue SE Olympia, Washington	
Assistance for persons with disabilities: Contact Sandy Davis no later than 10 days before the hearing date TTY 1-800-451-7985 or (360) 725-7499.	
CODE REVISER USE ONLY (Information keyed by Agency)	
Name (type or print) Alan R. Lynn	
Signature	
Title Rules Coordinator Legislation & Policy Division	
Date	
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